State Of California The Resources Agency of California

Memorandum

Date: February 28, 2002
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File: 01-AFC-6

To: Commissioner Robert A. Laurie, Presiding Member
Commissioner, Arthur H. Rosenfeld, Associate Member

From: California Energy Commission -
1516 Ninth Street
Sacramento, CA 95814-5512

James W. Reede, Jr.
Siting Project Manager

Subject: **MAGNOLIA POWER PROJECT (01-AFC-6)**
ISSUES IDENTIFICATION REPORT

Attached is the staff's Issue Identification Report for the Magnolia Power Project proposal (01-AFC-6). This report serves as a preliminary scoping document that identifies the issues that the Energy Commission staff believes will require careful attention and consideration. Energy Commission staff will present the issues report at the Siting Committee's scheduled Informational Hearing on October 29, 2001, at the Burbank Water and Power Administration Building located at 164 West Magnolia Avenue in Burbank, California.

cc: Docket (01-AFC-6)
Proof of Service List

Attachment

JWR:jr Magnolia Issues Report

MAGNOLIA POWER PROJECT

(01-AFC-6)

February 28, 2002

ISSUES IDENTIFICATION REPORT

CALIFORNIA ENERGY COMMISSION

Energy Facilities Siting and Environmental Protection Division

ISSUE IDENTIFICATION REPORT
MAGNOLIA POWER PROJECT
(01-AFC-6)

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ISSUES IDENTIFICATION REPORT

California Energy Commission Staff

This report has been prepared by the California Energy Commission staff to inform the Committee and all interested parties of the potential issues that have been identified in the case thus far. These issues have been identified as a result of our discussions with federal, state, and local agencies, and our review of the Magnolia Power Project Application for Certification (AFC), Docket Number 01-AFC-6. The Issue Identification Report contains a project description, summary of potentially significant environmental issues, and a discussion of the proposed project schedule. The staff will address the status of issues and progress towards their resolution in periodic status reports to the Committee.

PROJECT DESCRIPTION

On May 14, 2001, the Southern California Public Power Authority filed an Application for Certification (AFC) for the Magnolia Power Plant Project seeking approval from the California Energy Commission to construct and operate a 250 megawatt (MW) natural gas-fired, combined cycle power generating facility.

The Magnolia Power Plant Project will be a nominal 250-megawatt (MW), natural gas-fired combined cycle power plant. The applicant intends to locate the project on a 16-acre site in the City of Burbank at 164 West Magnolia Boulevard. The site is bound by Magnolia Blvd. on the north, Lake Avenue on the west, Olive Avenue on the south, and the Western Burbank Flood Control Channel, railway switching yards and Interstate 5 to the east of the proposed project.

The proposed plant will be constructed in Burbank, California at the existing Magnolia Power Station that is owned and operated by the City of Burbank Water and Power Department. Burbank currently operates and maintains existing gas fired combustion turbine units and gas fired steam units on this 16-acre site located at 164 West Magnolia Blvd in Burbank, California.

Most of the auxiliary facilities for the project, such as water supply and disposal systems, site access, fuel supply, and facilities to connect electrical output to the grid are already in place with the existing facilities. Site improvements will include demolition of some of the older power generating and fuel storage facilities.

The proposed plant incorporates one combustion turbine electric generator (CTG), one heat recovery steam generator (HRSG), and one steam turbine electric generator (STG). Hot exhaust gas from the CTG will flow through the HRSG, which will extract heat from the exhaust to produce steam that powers the STG.

The project is estimated to have a capital cost of approximately $225 million. The applicant plans to complete construction and start operation of the combined-cycle unit in the second quarter of 2004.

During construction, up to approximately 330 construction jobs will be created over the 24-month construction schedule. A permanent professional workforce of approximately 33 people will operate the plant.

The project will use Selective Catalytic Reduction (SCR), a dry, low NOx combustor and an oxidation catalyst system to reduce air emissions.

POTENTIAL MAJOR ISSUES

This portion of the report contains a discussion of the potential issues the Energy Commission staff has identified to date. The Committee should be aware that this report might not include all of the significant issues that may arise during the case. Discovery is not yet complete, and other parties have not had an opportunity to identify their concerns. The identification of the potential issues contained in this report is based on our judgement and comments of other government agencies of whether any of the following circumstances will occur:

1. Potential significant impacts which may be difficult to mitigate;
2. Potential areas of noncompliance with applicable laws, ordinances, regulations or standards (LORS);
3. Areas of conflict or potential conflict between the parties; or
4. Areas where resolution may be difficult or may affect the schedule.

The following table lists all the subject areas evaluated and notes those areas where critical or significant issues have been identified. Even though an area is identified as having no potential issues, it does not mean that an issue will not arise related to the subject area.

For example, disagreements regarding the appropriate conditions of certification may arise between staff and applicant that will require discussion at workshops or even subsequent hearings. However, we do not currently believe such an issue will have an impact on the schedule or that resolution will be difficult to achieve.

Major Issue	Subject Area	Major Issue	Subject Area
Yes	**Air Quality**	No	Paleontological Resources
No	Biological Resources	No	Public Health
No	Cultural Resources	No	Socioeconomics
No	Efficiency and Reliability	No	Soils
No	Electromagnetic Fields & Health Effects	No	Traffic and Transportation
No	Facility Design	No	Transmission Line Safety
No	Geology	No	Transmission System Engineering
No	Hazardous Materials	**Yes**	**Visual Resources**
No	Industrial Safety and Fire Protection	No	Waste
No	Land Use	**Yes**	**Water Resources**
No	Project Overview	No	Alternatives
No	Noise		

This report does not limit the scope of staff's analysis throughout this proceeding, but acts to aid in the analysis of potentially significant issues that the ESGS proposal poses. The following discussion summarizes each potential issue, identifies the parties needed to resolve the issue, and where applicable, suggests a process for achieving resolution. At this time, staff does not see any of these potential issues as non-resolvable.

AIR QUALITY

There are three potentially critical air quality issues that may affect the timing and possible outcome of the licensing process for the Magnolia Power Project (MPP). They include: 1) the acquisition of **Emission Reduction Credits** (or offsets); 2) **Best Available Control Technology** (BACT); and 3) **air quality permits.**

EMISSION REDUCTION CREDITS

The MPP has not secured the required "traditional" (that is either Emission Reduction Credits or RECLAIM credits) offsets for the projects' NO_x, ROG, PM_{10}, SO_x, and CO emissions liability. Staff believes that securing these offsets may make it very difficult to meet the six-month siting project schedule. In particular, the availability of traditional CO and PM_{10} emission credits is limited and the Applicant will require an upcoming rule change in order to purchase CO and PM_{10} ERCs from the District's priority reserve. There is a possibility that air quality impact mitigation measures will be required to be localized to mitigate impacts on a specific minority population near the project site.

BEST AVAILABLE CONTROL TECHNOLOGY

The project is currently proposing NO_x, CO and VOC emission levels that do not meet recent state and/or federal BACT findings for similar turbine configuration projects. Since this project is located in an extreme non-attainment area for Ozone and is also located in a non-attainment area for CO it is possible that the project as currently defined will not be found to meet BACT requirements. A comparison of the proposed BACT and recent BACT findings is as follows:

Pollutant	Project Proposed BACT Emission Levels	Recent EPA BACT Determination
NO_x	2.0 ppm (@15% O_2, **3-hour** average)	2.0 ppm (@15% O_2, **1-hour** average)
VOC	**6 ppm** (@15% O_2) when Duct Firing	**2.0 ppm** (@15% O_2, 1-hour average)
CO	**6 ppm** (@15% O_2)	**2.0 ppm** (@15% O_2, 3-hour average)

AIR QUALITY PERMITS

The SCAQMD must complete the preliminary determination of compliance (PDOC) and final determination of compliance (FDOC) for this project in order for staff to complete the air quality section and determine if the project is fit to be licensed. Failure by the applicant to provide required information in a timely manner increases the potential for delay in the issuance of the PDOC and FDOC and may cause the certification process to be delayed past the scheduled 6-month process.

ENVIRONMENTAL JUSTICE

Based on Census 2000, staff has determined that there is a minority population of greater than 50 percent within a six-mile radius of the proposed power plant. Therefore, there is a potential for an environmental justice issue with this project. Whether there is in fact an environmental justice issue will not be known until staff analyses in a number of technical areas have been completed and determinations of whether there are any unmitigated significant impacts falling disproportionately on minority populations have been made.

WATER RESOURCES

California Water Code § 13550 requires the use of reclaimed water, where available. The use of potable domestic water for nonpotable uses, including industrial uses, is a waste or an unreasonable use of the water within the meaning of Section 2 of Article X of the California Constitution if recycled water is available. Reducing water demands and reducing reliance on fresh inland water sources is consistent with State Water Resources Control Board Policy 75-58.

Staff has a concern that the Magnolia Power Project (MPP) may not be fully compliant with Section 13350 of the Water Code. The MPP does not appear to be using the reclaimed water available to it as efficiently as would reasonably be expected. The inefficient use of the available reclaimed water supply appears to be resulting in the MPP using other sources of fresh water for wet cooling, such as groundwater and even potable water.

Other recently proposed energy facilities (Los Esteros Critical Energy Facility, Russell City Energy Center; for example) have proposed the addition of reclaimed water treatment using microfiltration and reverse osmosis processes to reduce the TDS of the reclaimed water source. The pretreatment processes proposed allow for increased cooling water recirculation and reduced water demands. This issue will be evaluated further by staff during the siting process.

WASTEWATER DISCHARGE TO CITY OF BURBANK PUBLICLY OWNED TREATMENT WORKS (POTW)

The impact of the MPP on the Publicity Owned Treatment Works (POTW) receiving the wastewater discharge has not been adequately characterized. The AFC supplement stated that the project will obtain approval from the POTW and that “MPP will manage the waters sufficiently to maintain compliance with the discharge limitations.” The discussion of the changes that will occur because of the project is the subject of Data Responses that will be evaluated by staff.

The AFC supplement stated that “The NPDES permit for the Burbank Water & Power discharge includes the use of performance goals, rather than performance-based limitations.” The “goals” are not listed to allow determination of the impact of the plant on the POTW discharge, nor is it substantially addressed in the revised AFC sections 3 and 5. It is apparent that the MPP will at least “consume” part of the current excess performance of the POTW. However, this is not quantified and may require a major rewrite of those sections of the AFC.

There is also the issue of the Burbank POTW’s legal challenge to the Los Angeles Regional Water Quality Control Board’s proposed NPDES permit effluent limits, and the appeal of the LARWQCB of the legal decision rendered. This is closely related to the wastewater discharge issue and will be evaluated by staff.

VISUAL RESOURCES

The proposed MPP project has the potential to cause or substantially contribute to adverse visual impacts due to visible vapor plumes from the plant exhaust stacks. This is due to the high numbers of sensitive viewers in the vicinity of the proposed project and motorists using the Golden State Freeway I-5. These viewers include residents at foreground and middleground distances from the proposed project in the communities of Burbank and Glendale. This issue is of concern and warrants further study. However, without data on existing and proposed vapor plumes, staff is

unable to determine if in fact a significant adverse effect could occur. Staff has issued Data Requests to obtain the required quantitative modeling of existing and predicted plume occurrences. Determinations of visual impact from vapor plumes would be based on criteria of both plume magnitude and plume frequency. If adverse impacts are identified, they could be potentially be mitigated with available measures and existing technology.

SCHEDULING

Timely provision of the ERCs and resolution of the BACT issues are critical to the schedule of this project. These must be resolved by November 1, 2001, to allow the SCAQMD to prepare their PDOC on time.

Resolution of the visual and water issues may also impact the schedule if the plume studies or the pending litigation are not resolved in a timely manner.

Staff's proposed 6-month schedule is attached.

CRITICAL PATH ITEMS NEEDED TO REMAIN IN THE 6-MONTH PROCESS

ERCs	11/1/01
BACT Resolution	11/1/01
Responses to Data Requests	11/11/01
Visual Issues Resolution	11/11/01
Water Issues Resolution	11/11/01
PDOC	11/26/01
FDOC	1/10/02

PROPOSED SCHEDULE

MAGNOLIA POWER PROJECT (01-AFC-6)

EVENT	DATE
Applicant files Application for Certification (AFC)	5/14/01
Executive Director's recommendation on data adequacy	9/17/01
Decision on data adequacy at the business meeting	9/26/01
Staff files data requests	10/4/01
Staff files Issue Identification Report	10/17/01
Information hearing and site visit	10/29/01
Applicant provides data responses	11/5/01
Data response and issue resolution workshop	11/15/01
Local, state and federal agency draft determinations*	11/26/01
SCAQMD PDOC	11/26/01
Staff Assessment (SA) filed	12/10/01
Staff Assessment workshop	12/20/01
Local, state and federal agency final determinations*	1/10/02
SCAQMD FDOC	1/10/02
Final Staff Assessment filed	1/25/02
Evidentiary hearings	2/4/02
Committee files proposed decision	2/28/02
Hearing on the proposed decision	3/8/02
Committee files revised proposed decision	3/15/02
Commission Decision	3/25/02

* To meet the above milestones, the applicant must provide timely information when requested. Per Public Resources Code section 25550(d) and Title 20, California Code of Regulations, section 2026, local and state agencies are required to complete their reviews and issue any formal notices, findings, and opinions (such as those contained in a final Determination of Compliance, wastewater discharge requirements, biological opinions and land use decisions) within 100 days of the Commission's acceptance of an application as complete. Federal agencies are requested to expedite their review/permits by matching the state schedule in Executive Orders of President George W. Bush.